Form 540A

STEP 4 - TAXABLE INCOME -

LINE 12a STATE WAGES

Add up the amounts shown for state wages, tips, etc. from box 16 on each of your clients' Forms W-2 and enter the total on line 12a.

LINE 12b FEDERAL ADJUSTED GROSS INCOME

Enter the federal adjusted gross income from:

- Form 1040EZ, line 4
- * Form 1040A, line 21
- * Form 1040, line 35

CALIFORNIA INCOME ADJUSTMENTS

LINE 13 CALIFORNIA INCOME ADJUSTMENTS

California does not tax certain types of income that are taxable on your clients' federal return. There may be differences between the taxable amounts of federal and California IRA distributions, pensions, and annuities.

You may need to make an adjustment on lines 13a through 13f if your clients reported any of the following types of income on their federal return:

- * State income tax refund
- * Unemployment compensation
- Social security benefits
- Tier 1 or tier 2 railroad retirement benefits
- * Interest income
- * Dividend income
- * IRA income
- * Pension income

LINE 13 a STATE INCOME TAX REFUND ADJUSTMENT

California does not tax state income tax refunds.

For additional information about a state income tax refund adjustment, refer to page 16, general information section.

LINE 13b UNEMPLOYMENT COMPENSATION ADJUSTMENT

California does not tax unemployment compensation. Enter the amount of unemployment compensation if included on:

- * Form 1040EZ, line 3
- * Form 1040A, line 13
- * Form 1040, line 19

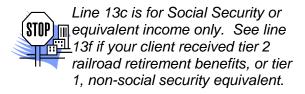
Form 540A

LINE 13c SOCIAL SECURITY BENEFITS, TIER 1 AND TIER 2 RAILROAD RETIREMENT BENEFITS ADJUSTMENTS

California does not tax:

- Social security benefits
- * Tier 1 and tier 2 railroad retirement benefits.

Enter on line 13c the total of any of these amounts shown on your clients' Form 1040A, line 14b or Form 1040, line 20b. Do not include any other pension amounts on this line.



For additional information about this adjustment, refer to page 16, general information section.

LINE 13d CALIFORNIA NONTAXABLE INTEREST OR DIVIDEND INCOME ADJUSTMENT

California does not tax interest earned from:

- * United States savings bonds
- United States treasury bills
- Any other bonds or obligations of the United States, U.S. territories, and government agency obligations specifically exempted by federal law

For additional information about this adjustment, refer to page 17, general information section.



If your client has interest from municipal or state bonds from a state other than California, this interest income is taxed by California. You may not use Form 540A. Use Form 540 or e-file.

LINE 13e CALIFORNIA IRA DISTRIBUTIONS ADJUSTMENT

For specific information about IRA distribution adjustments, refer to pages 17 through 20, general information section.

LINE 13f NON-TAXABLE PENSION AND ANNUITIES ADJUSTMENT

California and federal law generally treat pension and annuity income the same. For additional information about pension and annuity adjustments, refer to the general information section, page 17.

LINE 13g TOTAL CALIFORNIA INCOME ADJUSTMENTS

Add lines 13a through 13f. If this amount is a negative number, enter the amount in parentheses, and add it to the amount on line 12b.

LINE 14 CALIFORNIA ADJUSTED GROSS INCOME

Subtract line 13g from line 12b and enter the result on line 14

Form 540A

LINE 15 STANDARD DEDUCTION OR ITEMIZED DEDUCTIONS

Your clients must decide whether to itemize their deductions or to take the state standard deduction. Use the method that gives your clients the greater deduction.

For additional information about standard and itemized deductions, refer to pages 21 through 23, general information section.

LINE 16 TAXABLE INCOME

Subtract line 15 from line 14. This is your clients' taxable income. If this amount is less than zero, enter -0- on line 16.

STEP 5 - TAX AND CREDITS

LINE 17

Determine your clients' tax using the tax table in your clients' booklet or in this manual on page 159.

For additional information on how to compute your clients' tax, refer to page 24, general information section.

LINE 18 EXEMPTION CREDITS

Enter the amount from line 11. This is the total of your clients' exemption credits.

LINE 19 NONREFUNDABLE RENTER'S CREDIT

To determine if your clients qualify for the nonrefundable renter's credit, refer to page 27, general information section.

LINE 20 TOTAL CREDITS

Add line 18 and line 19 and enter the total on line 20.

LINE 23 TOTAL TAX

Figure your clients' total tax by subtracting line 20 from line 17. If the amount is zero or less, enter -0- on line 23.

STEP 6 – OVERPAID TAX OR TAX DUE-

LINE 24

Enter the amount from Side 1, line 23.

LINE 25 CALIFORNIA INCOME TAX WITHHELD

Enter your clients' total California income tax withheld listed in box 17 on Forms W-2.